GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:3619
ANSWERED ON:18.04.2005
CALCULATING OF MSP OF AGRICULTURAL PRODUCTS
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Will the Minister of AGRICULTURE be pleased to state:

(a) the basis for calculating the cost of agriculture products for determining the Minimum Support Price (MSP) of agriculture products in terms of agricultural land and geographical scenario;

(b) the basis of method to determine compensation for agriculture products affected by natural calamities; and

(c) the provisions for rate of interest on agriculture loan, their payments and grants?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a): The cost of cultivation data are collected from sample farmers belonging to five different size classes (less than 1 hectare, between 1 and 2 hectares, between 2 and 4 hectares, between 4 and 6 hectares and above 6 hectares) growing the crops covered under the Minimum Support Prices (MSP). The sample farmers are selected on the basis of random sampling method from different agro-climatic zones of States based on soil-type, rainfall, cropping pattern etc. so as to get unbiased and reliable estimates of costs of production. The cost estimates of individual crops so generated are furnished to the Commission for Agricultural Costs and Prices (CACP) for recommending MSP.

(b): Items and norms of expenditure for assistance from Calamity Relief Fund (CRF) and National Calamity Contingency Fund (NCCF) are given in the Annexure.

(c): All the public sector banks have been advised to reduce their lending rates for agriculture to a rate not more than 9% per annum on crop loans upto a ceiling of Rs. 50,000/-. Further, in case of commercial banks, there is a stipulation that the rate of interest charged from the ultimate borrower should not exceed the Prime Lending Rate (PLR) in case of loans upto Rs. 2 lakhs. PLR at present is in the range of 10% to 11%. After deregulation of interest rates by Reserve Bank of India in October 1994, the Cooperative Banks and Regional Rural Banks have been given freedom to fix their own interest rates and their rate of interest for agricultural loans in most of the states varies from 9% to 16.5%.